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NEWS RELEASE

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PSC OPENS CASE ON 2005 ENERGY POLICY ACT CHANGES *Kentucky to consider adopting new federal standards*

FRANKFORT, Ky. (Feb. 24, 2006) – The Kentucky Public Service Commission (PSC) has opened a proceeding to consider certain provisions of the federal Energy Policy Act of 2005 (EPAAct 2005).

The administrative case will determine whether Kentucky should implement two new standards that EPAAct 2005 requires states to consider: smart metering and interconnection.

Smart metering is based on setting electric rates that rise or fall depending on the varying costs of providing service at different times. It is intended to encourage energy conservation during times of peak demand, when the costs of providing electricity typically are highest. If rates are set to reflect the higher costs, customers may reduce usage or shift it to periods when rates are lower.

Such time-based rate setting requires the use of meters that can track consumption based on time of day.

Smart metering also includes demand response, which is the use of other rate-related methods to encourage customers to reduce usage during times of peak demand. For example, large users may enter into agreements that call for their service to be curtailed under certain conditions.

EPAAct 2005 gives Kentucky and the other states until Feb. 8, 2007, to decide whether it is appropriate to implement the time-based rate requirement. If the requirement is adopted, utilities are to offer time-based rates to consumers and provide the necessary smart meters.

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The second standard to be considered addresses whether and under what engineering rules and conditions electric generating facilities located on utility customer property should be connected to the local electric distribution grid. The standard generally is intended to apply to generating facilities of 10 megawatts or less, such as small hydroelectric facilities, solar panels or windmills that may produce more power than the user needs.

All of Kentucky's regulated electric utilities are being made parties to the case. They include four investor-owned utilities, two generation and transmission cooperatives and 19 rural electric cooperatives.

In an order issued today, the PSC issued requests for information to the electric utilities. The responses are due March 23.

Public comments in the case will be taken both in writing and at a public hearing. Written comments may be mailed to the PSC at P.O. Box 615, Frankfort, KY 40602, faxed to (502) 564-9625 or sent by e-mail from the PSC Web site.

The public hearing is tentatively scheduled for 9 a.m. EDT on July 18 at the PSC offices at 211 Sower Boulevard in Frankfort.

Requests to become an intervenor, or formal participant, in the case must be filed with the PSC no later than March 24.

A proceeding to consider EAct 2005 provisions addressing standards for fuel source diversity and fossil fuel generation efficiency will be opened at a later date.

Today's order, as well as other case documents, can be found on the PSC Web site, which is psc.ky.gov. The case number is 2006-00045.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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